

(relating to records and returns of DISC's) and who fails to supply such information of file such return at the time prescribed in sections 6072(b) and 1.6072-2(e) shall pay a penalty of \$100 for each failure to supply information (provided that the total amount imposed on the delinquent person for all such failures during a calendar year shall not exceed \$25,000) and a penalty of \$1,000 with respect to each failure to file a return, unless it is shown that such failure is due to a reasonable cause.

(b) *Showing of reasonable cause.* The penalty imposed by section 6686 shall not apply to any person with respect to a failure to supply information, or to file a return, under section 6011(c) if it is established to the satisfaction of the district director or director of the Internal Revenue Service Center that such failure was due to reasonable cause. An affirmative showing of reasonable cause must be made in the form of a written statement, which contains a declaration by such person that the statement is made under the penalties of perjury, and sets forth all the facts alleged as reasonable cause.

[T.D. 7533, 43 FR 6604, Feb. 15, 1978]

§ 301.6688-1 Assessable penalties with respect to information required to be furnished with respect to possessions.

[Reserved]. For further guidance, see § 301.6688-1T.

[T.D. 9194, 70 FR 18947, Apr. 11, 2005]

§ 301.6688-1T Assessable penalties with respect to information required to be furnished with respect to possessions (temporary).

(a) *In general.* Each individual who is subject to an information reporting requirement promulgated under the authority of section 937(c) or 7654 and who fails to fully satisfy such requirement within the time prescribed for reporting such information shall, in addition to any criminal penalty provided by law, pay a penalty of \$1000 for each such failure. Information reporting requirements promulgated under the authority of sections 937(c) and 7654(e) include the following:

(1) The requirement to file Form 8689, "Allocation of Individual Income Tax

to the Virgin Islands," under § 1.932-1T(b)(1) of this chapter, for certain individuals with income from sources within the United States Virgin Islands.

(2) [Reserved]

(3) [Reserved]

(4) The requirement for individuals to report that they became or ceased to be a bona fide resident of a possession under § 1.937-1T(g) of this chapter.

(b) *Manner of payment.* The penalty set forth in paragraph (a) of this section shall be paid in the same manner as tax upon the issuance of a notice and demand therefor.

(c) *Reasonable cause—(1) In general.* The penalty set forth in paragraph (a) of this section shall not apply if it is established to the satisfaction of the appropriate tax authority (as defined in paragraph (c)(2) of this section) that the failure to file the information return or furnish the information within the prescribed time was due to reasonable cause and not to willful neglect. An individual who wishes to avoid the penalty must make an affirmative showing of all facts alleged as a reasonable cause for failure to file the information return on time, or furnish the information on time, in the form of a written statement containing a declaration that it is made under penalties of perjury. Such statement must be filed with the appropriate tax authority. In determining whether there was reasonable cause for failure to furnish the required information, account will be taken of the fact that the individual was unable to furnish the required information in spite of the exercise of ordinary business care and prudence in his effort to furnish the information. An individual will be considered to have exercised ordinary business care and prudence in his effort to furnish the required information if he made reasonable efforts to furnish the information but was unable to do so because of a lack of sufficient facts on which to make a proper determination.

(2) *Appropriate tax authority.* For purposes of this section, the appropriate tax authority is the person responsible for tax administration in the jurisdiction to which the information is required to be provided. Thus, in the case of information required under section

937(c) or under section 7654 to be provided to the Internal Revenue Service, the appropriate tax authority is the Commissioner. In the case of information required under section 7654 (as in effect with respect to section 935 possessions (as defined in § 1.935-1T(a)(3)(i) of this chapter) to be provided to the tax authorities of a section 935 possession, the appropriate tax authority is the person responsible for tax administration in such possession or his delegate. See § 1.935-1(b) of this chapter for the rules that specify where returns of income tax must be filed for the taxable year by individuals to whom section 935 applies.

(d) *Effective date.* This section shall apply for taxable years ending after October 22, 2004.

[T.D. 9194, 70 FR 18947, Apr. 11, 2005]

§ 301.6689-1T Failure to file notice of redetermination of foreign tax (temporary).

(a) *Application of civil penalty.* If a foreign tax redetermination was made with respect to taxes for which the taxpayer previously claimed the foreign tax credit, and the taxpayer failed to notify the Service on or before the date prescribed in regulations under section 905(c) or in regulations under section 404A(g)(2) for giving notice of a foreign tax redetermination, then, unless paragraph (d) of this section applies, there shall be added to the deficiency attributable to such redetermination an amount determined under paragraph (b) of this section. Subchapter B of chapter 63 of the Internal Revenue Code (relating to deficiency proceedings) shall not apply with respect to the assessment of the amount of the penalty.

(b) *Amount of penalty.* The amount of the penalty shall be equal to—

(1) Five percent of the deficiency if the failure is for not more than one month, plus

(2) An additional five percent of the deficiency for each month (or fraction thereof) during which the failure continues, but not to exceed in the aggregate twenty-five percent of the deficiency. If the penalty imposed under paragraph (a) of this section applies, then the penalty imposed under section 6653(a), relating to failure to pay by

reason of negligent or intentional disregard of rules and regulations, shall not apply.

(c) *Foreign tax redetermination defined.* For purposes of this section, a foreign tax redetermination is any redetermination for which a notice is required under section 905(c) and the regulations thereunder, or section 404A(g)(2) and the regulations thereunder.

(d) *Reasonable cause.* The penalty set forth in this section shall not apply if it is established to the satisfaction of the Service that the failure to file the notification within the prescribed time was due to reasonable cause and not due to willful neglect. An affirmative showing of reasonable cause must be made in the form of a written statement that sets forth all the facts alleged as reasonable cause for the failure to file the notification on time and that contains a declaration by the taxpayer that the statement is made under the penalties of perjury. This statement must be filed with the service center in which the notification was required to be filed. The taxpayer must file this statement with the notice required under section 905(c) and the regulations thereunder or section 404A(g)(2) and the regulations thereunder. If the taxpayer exercised ordinary business care and prudence and was nevertheless unable to file the notification within the prescribed time, then the delay will be considered to be due to reasonable cause and not willful neglect.

(e) *Effective/applicability date—(1) In general.* This section applies to foreign tax redeterminations (as defined in § 1.905-3T(c) of this chapter) occurring in taxable years of United States taxpayers beginning on or after November 7, 2007, and in the three immediately preceding taxable years. For corresponding rules applicable to foreign tax redeterminations occurring in earlier taxable years of United States taxpayers, see 26 CFR 301.6689-1T (as contained in 26 CFR part 301, revised as of April 1, 2007).

(2) *Expiration date.* The applicability of this section expires on or before November 5, 2010.

[T.D. 8210, 53 FR 23618, June 23, 1988, as amended by T.D. 9362, 72 FR 62788, Nov. 7, 2007]